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G. (5) Economic Intelligence

The year saw a further growth in the number of requests for direct economic intelligence support to policy and action officers of the Government. Responses to these requests numbered more than 400, compared with a little more than 300 during the preceding year. In addition, more than 100 Intelligence Reports and Intelligence Memoranda were published for general and elite dissemination, many of direct or indirect interest to such officers.

Papers produced in support of the war in Vietnam absorbed about one-fifth of available research time. This work included contributions to major papers on the Vietnamese Communists' will to continue the war and on the effectiveness of the air war, done at the request of Secretary McNamara. The Secretary has also been provided, at his request, quarterly assessments of the air war. Monthly contributions were made to the joint CIA-DIA publication appraising the bombing of North Vietnam, and a number of memoranda were published on selected aspects of the war, such as shipping to North Vietnam and Cambodia, the petroleum situation, and Viet Cong manpower problems. In addition, nearly 100 typescript responses were prepared on Vietnam subjects, largely at the request of the White House, Department of State, and Department of Defense.

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Continuing research was conducted on all major foreign economies and on the less developed countries. This research was published wherever economic problems or prospects for economic development were of current policy significance. Research was also undertaken on basic problems of less immediate interest and for the purpose of maintaining a capability to produce economic intelligence quickly in crisis situations. In the case of the Arab-Israeli conflict, 22 memoranda were produced between the middle of May and the end of the fiscal year, most of them in response to specific requests and many for the Special NSC Committee on the Middle East. Most of these papers dealt with the impact of the war on the Arab and Israeli economies, on world oil production, and with the disruptions created by the closure of the Suez Canal.

A substantial share of economic intelligence production was devoted to international economic relations, in support of US officials involved in formulating and implementing US trade, aid, and shipping policies. This production included a number of Intelligence Memoranda and Intelligence Reports on Communist trade and aid programs, the balance of payments and foreign exchange problems of less developed countries, and prospects for East-West trade. In addition, a number of specific studies were made of US- and COCOM-controlled commodities at the request of

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the Advisory Committee on Export Policy and the Economic Defense Advisory Committee. A special review of 400 export commodities was made early in the year at the request of the Department of Commerce. A decision to permit these commodities to move under general license was announced by the President in October.

A large portion of economic intelligence production reflected the continuing demand for analysis in depth of the economies of the USSR and Communist China. This production included analysis of overall growth prospects, the ability of these economies to support military and space programs, and the problems of individual sectors such as agriculture, transportation, and construction. Research on the internal economies of Free World countries was concerned with similar subjects, often in the context of insurgency or the efforts of Communist countries to expand their influence.

It is anticipated that, during FY 1968, requirements will continue to increase for economic intelligence on Southeast and East Asia, and the Middle East. In line with the expressed need for better insights into the seething problems of Communist China, the research program for FY 1968 features an intensive effort on the Chinese economy.

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MEMORANDUM FOR: FOR THE RECORD

Attached is OER Contribution to annual
PFIAB Report. Prepared by [REDACTED]
forwarded to [REDACTED] on 10 Aug 1967.

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FORM NO. 101 REPLACES FORM 10-101
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